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SUBJECT: CODEL BOSWELL'S DECEMBER 13-15 VISIT TO JAPAN: THE
AGRICULTURAL AGENDA

REF: A. TOKYO 3209
[1B](#). TOKYO 3204

[11](#). (SBU) Post warmly welcomes CODEL Boswell's December 13-15 visit to Japan to discuss key agriculture-related issues. Your time in Tokyo provides an excellent opportunity to underscore the importance of U.S.-Japan trade in food and food products; to emphasize the vital role U.S. agricultural exports play in addressing Japan's food security and food safety concerns; and to urge Japan to adopt a comprehensive set of science-based regulations to allow greater market access for U.S. exporters. The United States is Japan's largest food supplier, accounting for one-fifth of Japan's total agricultural imports. Japan is the largest consumer of U.S. agriculture products outside NAFTA, with U.S. exports, aided by strong grain prices, increasing 15 percent last year to reach \$11.6 billion. Despite the enormous volume of trade, we still face serious challenges.

Food Security

[12](#). (SBU) With imports accounting for sixty percent of Japan's food consumption, food security is a major concern for the Government of Japan (GOJ). In December, Agriculture Minister Ishiba announced the government's latest plan to raise Japan's food self-sufficiency, this time to 50 percent. The target, like previous ones, is likely to fail. However, setting targets such as these appeal to certain GOJ officials, who rely on them as useful cover to justify Japan's protectionist agricultural policies, which include an arsenal of stringent border controls and domestic price supports. Several factors account for Japan's relatively low rate of self-sufficiency in agriculture and the steady decline in domestic output since the mid-1980s. The shortage of arable land limits Japan's maneuverability on food production. So too does the country's rapidly dwindling farm population; over 70 percent of Japan's farmers are aged 60 or older. Large-scale agriculture is rare; the landscape is dominated by small farms that average only four acres in size (about one percent the scale of a commercial U.S. farm). Shifting consumption patterns have increased dependence on imports.

[13](#). (SBU) The United States has been Japan's top supplier of agricultural products since the end of World War II. Japan

is the largest export market for U.S. corn, buying \$2.6 billion in 2007, and is almost totally dependent on U.S. corn supplies. On average, half the calories consumed by Japanese livestock come from U.S. feed. Japan is also the largest market for U.S pork (\$1.1 billion), and wheat (\$800 million), and buys several billion dollars in processed foods annually.

Misguided Food Safety Concerns

¶4. (SBU) Japanese consumers are preoccupied with food safety and are often influenced by GOJ officials and media who tend to conflate food safety and food security concerns. Japanese policy makers are known to focus on isolated food safety issues in the broader debate over domestic food security. Recent scandals involving tainted food imports, especially from China, have led to calls for stricter scrutiny of imported food, more stringent labeling requirements, and other restrictive regulations with little scientific basis. Politicians and regulators fail to address specific problems from particular countries, producers, shippers and, in some cases, domestic sources, while repeating local concerns about the safety/wholesomeness of foreign food in general.

¶5. (SBU) The MAFF and the Ministry of Health, Labor and Welfare (MHLW) are charged with managing risk in Japan's food supply. The Food Safety Commission (FSC), an independent agency responsible for risk assessment and communication, has been moderately successful in reviewing food safety issues from a scientific point of view. USG efforts have centered on urging Japan to continue to adopt science-based

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regulations that align with international food safety standards, including in connection with sales of U.S. beef.

Beef Talks Stalled

¶6. (SBU) Japan was the largest overseas market for U.S. beef (\$1.3 billion) up until 2003, when the GOJ banned U.S. imports following the discovery of Bovine Spongiform Encephalopathy (BSE) in a single cow in Washington State of Canadian origin. Japan partially reopened its market in July 2007, but has allowed little improvement in access for U.S. producers since then. GOJ regulators zealously enforce the technical agreement we have for trade in beef and beef products. Currently, Japan limits imports of U.S. beef to certain cuts from animals aged 20 months or less. The USG intervenes regularly on behalf of U.S. exporters to gain entry for beef shipments, which Japanese officials frequently stop on the basis of minor packaging or paperwork discrepancies that have nothing to do with food safety. The GOJ has also suspended two major U.S. beef plants (located in Nebraska and Kansas) for technical violations. Thanks to the U.S. Meat Export Federation and other advocacy groups, the image of U.S. beef has improved among Japanese consumers, with beef exports to Japan increasing 64 percent to \$265 million during the first eight months of 2008 compared to the same period last year.

¶7. (SBU) Japan continues to delay moving towards World Organization for Animal Health (OIE) consistency for imported U.S. beef products. In May 2007, the OIE designated the U.S. as a controlled-risk country for BSE. The OIE guidelines indicate all beef and beef products from controlled risk countries may be imported provided certain tissues are removed prior to export (i.e., specific risk materials or SRMs). Japan has suggested it might consider somewhat relaxing restrictions on U.S. beef (e.g., possibly allowing cuts of beef from animals up to 30-months of age), but continues to propose steps that fall short of full market access based on OIE guidelines and science.

Pork Trade a Success, but also Troubled by Fraud

¶8. (SBU) Japan is the largest market for U.S. pork (\$1.1 billion in 2007) and trade is growing; imports increased 27 percent in the first eight months of 2008, the result of competitive U.S. prices and a shift in Japanese preferences for pork over other meats. The U.S. Meat Export Federation has introduced an effective new subway-based marketing campaign and seeks to consolidate U.S. market share, which has risen to 44 percent compared to 33 percent three years ago. Against this backdrop of success, Japan's method for collecting import duties on pork (i.e., the "gate price system") distorts trade and encourages legitimate traders to import a mix of high and low value pork cuts out of synch with actual demand: the "gate price" imposes higher tariffs on lower priced pork imports and encourages tariff fraud via over-invoicing of lower value pork cuts. On September 1, Tokyo Customs revealed that Mitsubishi Corporation, a major Japanese trading house, allegedly failed to report some 4.2 billion yen (about \$40 million) in tariffs on pork imports. The USG is concerned that hard-won successes by U.S. pork exporters could be undermined should the GOJ take too heavy-handed an approach in dealing with tariff-related fraud.

Agricultural Biotech

¶9. (SBU) The GOJ's regulatory system for biotech crops is complex, costly and causes problems for U.S. farmers and exporters. The accidental low-level presence of unapproved biotech events has been a frequent source of trade tension between the U.S. and Japan. Since the late 1990s, U.S. potatoes, papayas, corn, and rice have all been subject to expensive testing or segregation or have been temporarily banned. Progress has been made to persuade the GOJ to

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eliminate some of its superfluous biotech testing requirements for U.S. feed corn. Despite the country's wariness of biotech products, Japan is the largest per capita importer of biotech crops in the world. However, Japanese consumers are largely uninformed about the benefits and lack of risk connected with biotech food. Given the importance of Japan's market, major U.S. biotech crop companies and farm organizations have told us they have no incentive to grow new biotech varieties of corn or soybeans until after they have been approved in Japan. Japan's regulators therefore stand to influence the access U.S. farmers have to new production technologies.

Animal Cloning

¶10. (SBU) Following the U.S. Food and Drug Administration's January finding that cloned animals do not pose unique food health concerns, Japan's Food Safety Commission began conducting its own food safety review. This review is scheduled to be completed in early 2009. Japanese regulators have hinted that countries that use somatic cell cloning technology in commercial livestock production may face process-based labeling requirements.

SCHIEFFER